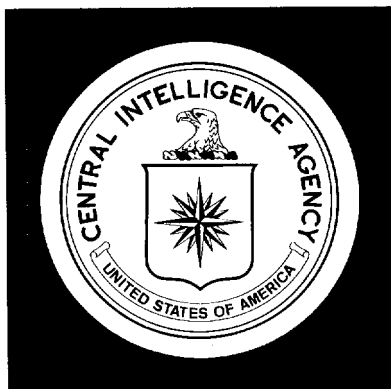


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22 December 1972

Central Intelligence Bulletin

CONTENTS

USSR: Brezhnev criticizes US on Vietnam, but re-states interest in detente. (Page 1)

ARGENTINA: Peron front in danger of falling apart. (Page 3)

PHILIPPINES: Opposition shows some life as plebiscite approaches. (Page 5)

EUROPEAN COMMUNITIES: New Commission has little luster. (Page 6)

BURMA: Drought threatens rice harvest. (Page 8)

ALGERIA: Head of FLN relieved of duties. (Page 9)

WEST GERMANY: Bonn ponders joint production of combat aircraft. (Page 11)



25X1

LAOS - NORTH VIETNAM: Hanoi repairing airfield at Samneua (Page 13)

BELGIUM: Discount rate raised (Page 13)

SECRET

~~SECRET~~

USSR: Party chief Brezhnev's speech yesterday contained harsh criticism of the US for recent developments in Vietnam, but also strongly restated Soviet interest in detente and hinted at new prospects for progress in several specific areas.

Brezhnev sharply attacked the increased US bombing in North Vietnam and criticized the "unseemly behavior" of the US that was "artificially delaying" a peace settlement. He routinely pledged "all-round support" for his North Vietnamese allies, but also said Moscow would render "active assistance" to gain a just end to the war. He refrained from endorsing any specific proposals, suggesting that Moscow is more concerned with getting an agreement than its exact terms.

Near the end of his comments on the US, Brezhnev explicitly linked developments in Indochina with prospects for Soviet-US relations, the first time a Soviet leader has made this connection since Premier Kosygin's election speech in June 1971. Given the audience before which Brezhnev spoke, he could hardly do less, however, and the tone of his remarks on the US--Vietnam aside--was highly favorable. He placed strong emphasis on the necessity for the great powers to live in peaceful coexistence and included hopeful references to the prospects for SALT and for closer Soviet-US economic cooperation. On arms limitation, Brezhnev said that "it would not be a bad idea" to begin thinking about a permanent cutback of strategic weapons and "the establishment of certain limits on their qualitative improvement."

While the US was criticized solely for its actions in Vietnam, Brezhnev presented a long list of difficulties the Chinese have caused. He accused them of "absurd claims" to Soviet territory, "malicious slandering" of the USSR, and "open sabotage" of Soviet efforts at disarmament and easing

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international tension. He left the door open for improved relations, but made it clear that the Chinese would have to take the next steps.

On European matters, Brezhnev reiterated Soviet support for a Conference on Security and Cooperation in Europe. He also acknowledged Western interest in a freer exchange of ideas and people and put the USSR on record as favoring this, on condition that it be done with "mutual respect...and not from positions of cold war." Brezhnev was less forthcoming on force reductions in Europe, on which he merely said the Soviet Union stands for "the serious preparation and efficient handling of these talks." [REDACTED]

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25X1

25X1
22 Dec 72

Central Intelligence Bulletin

2

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ARGENTINA: The electoral front put together by Juan Peron is in danger of falling apart as a result of disputes over the naming of candidates for the election to be held on 11 March.

Labor, the main source of Peronist strength, is dissatisfied with the sycophant Hector Campora, and its representatives walked out of the convention when he was nominated. Political battles among the Peronists over Campora's nomination to replace Peron at the head of the ticket have occasionally erupted into violence. Pitched battles occurred over the selection of provincial gubernatorial and congressional slates. One top Peronist leader was attacked while trying to pass on Peron's instructions to the Buenos Aires provincial caucus and had to take refuge in a police station. Possibly as a result of this infighting, Peron seemed to back-track on his support for Campora when he claimed yesterday that the party, not he, had nominated him.

Adding to the problem facing the Peronists is the threat of the largest non-Peronist party to quit the electoral front. The followers of former president Frondizi, who had expected to name the running mate, were upset when the nod went to Popular Conservative leader Vicente Solano Lima. The prospect of being allocated only one provincial governor has caused them to talk of pulling out.

There has been no official government reaction to the nomination of Campora, although he is anathema to the military and President Lanusse. [REDACTED]

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22 Dec 72

Central Intelligence Bulletin

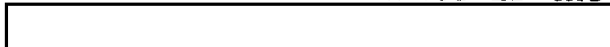
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One indication that the government may capitalize on this discontent is the rumor that Jorge Paladino will be named to run with the government's candidate, air force General Ezequiel Martinez. Paladino preceded Campora as Peron's personal representative and still has a following among moderate Peronists, although he was drummed out of the party for being too ambitious.

The government now reportedly has postponed the official inscription deadline from 21 December to 2 January. This will give Peronists time to select another candidate if they decide to act.



25X1

22 Dec 72

Central Intelligence Bulletin

4

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PHILIPPINES: As the constitutional plebiscite approaches, the political opposition is showing flickers of life.

Liberal Party leader Gerardo Roxas and others have filed petitions with the Supreme Court seeking an injunction against holding the plebiscite as scheduled on 15 January. Aside from constitutional objections, the petitioners argue that time and martial law conditions will not allow a full and free discussion of issues. The Supreme Court is generally considered to belong to Marcos, but the President wants to head off any such overt questioning of his decisions. He has already lifted some of the provisions of martial law, such as press censorship, to permit debate on the draft constitution.

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Marcos will enter a plebiscite in an extremely strong position by virtue of his total control of the government machinery. To gain an overwhelming popular endorsement, however, he will have to overcome widespread voter apathy. Most Filipinos believe that Marcos plans to continue his one-man rule whether or not the constitution passes. Administration officials estimated in mid-December that only about 40 percent of the voters would bother to go to the polls. This is well below the 80-percent goal Marcos has set for himself.

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EUROPEAN COMMUNITIES: The new, 13-man Commission that will take office on 6 January seems unlikely to give the EC substantially stronger direction than the outgoing Commission provided.

About half of the commissioners are holdovers. A few of those renominated by present member states, such as Jean-Francois Deniau of France, are highly qualified, but the performance of the others has not been outstanding. France, which will hold the presidency for the first time, has nominated Francois-Xavier Ortoli, a former cabinet minister who is close to Pompidou. Ortoli has the reputation of a pragmatic administrator rather than a political leader.

On balance, the new member states--plus the Netherlands and Belgium--appear to have selected the stronger candidates. Britain will send two appointees of high political standing: Sir Christopher Soames, former ambassador to Paris, and George Thompson, a pro-EC former Labor minister. Ireland's Patrick Hillery will resign as foreign minister for the Brussels position, and Denmark's Finn-Olay Gunderlach will go to the Commission with five years' experience as his country's ambassador to the EC.

The scramble over portfolios now will intensify. Although theoretically the commissioners are supposed to decide this among themselves, the member states have been maneuvering to put their candidates in charge of the directorates in which their national interests are the largest. The main prizes are the foreign affairs portfolio and the responsibility for economic and financial affairs. The foreign affairs post is being hotly contested by Soames and Ralf Dahrendorf, the German incumbent. A Belgian socialist, Henri Simonet, is said to be in line for the economic job, but Bonn also wants it for Wilhelm Haferkamp. Italy,

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Denmark, and the Netherlands all want the agricultural post. One effect of this bargaining could be to weaken the collegial concept of the Commission and to encourage the commissioners to represent national rather than broad community interests.

25X1

22 Dec 72

Central Intelligence Bulletin

7

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BURMA: Drought and other problems will reduce the rice harvest to the point where exports will probably be less than half the planned level.

Rainfall was below normal in most areas of the country this year and as much as 50 percent below normal in the major rice-growing areas. Output from the current harvest has also been reduced because of the limited use of fertilizer and the government's earlier encouragement to farmers to shift to jute-growing.

The total rice crop may decline ten percent from last year's level and as much as 25 percent in the areas that generally produce the largest surpluses. Despite an 18-percent increase in government prices to farmers, competing prices in the open market remain higher, and government procurements probably will be smaller than last year. The volume of government rice available for export from the current crop probably will not exceed 400,000 tons, compared with 600,000 tons last year and 900,000 tons planned.

The world rice shortage has boosted world prices so that Rangoon's export revenues probably will not decline. But Burma's traditional customers, such as India, Sri Lanka, and Indonesia, will find it difficult to locate other suppliers.

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ALGERIA: Ahmed Kaid has been relieved of his job as chief of the National Liberation Front (FLN), probably because of the long-standing hostility between him and Revolutionary Council President Boumediene.

Kaid, whose resignation was publicly attributed to poor health, is a long-time close associate of Boumediene and a member of the Revolutionary Council's inner clique. Five years ago he was assigned the mission of restructuring and revitalizing the FLN. He succeeded in the former task, but not the latter. Boumediene indicated his unhappiness with Kaid's performance in a speech on 1 November, when he called for a radical transformation of the FLN to make it an efficient "revolutionary engine." Boumediene may have been particularly unhappy with Kaid's inability, or perhaps his deliberate reluctance, to use the FLN to promote the agricultural reform program.

Kaid's successor, as yet unnamed, will have the difficult mission of making the party more dynamic, but not to the point where Boumediene might come to view the organization as a threat to his own power. It is likely that the FLN will continue to serve merely as a vehicle to promote and publicize Boumediene's programs. [REDACTED]

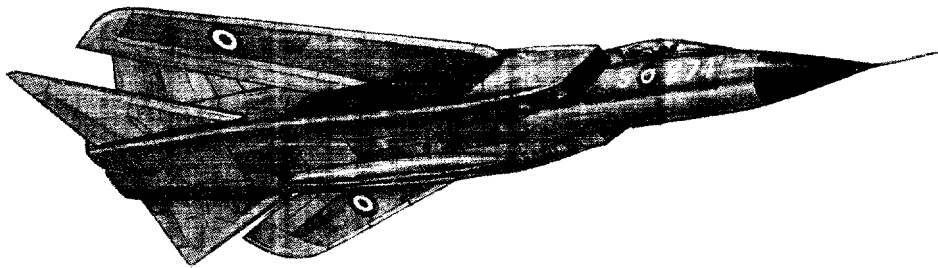
22 Dec 72

Central Intelligence Bulletin

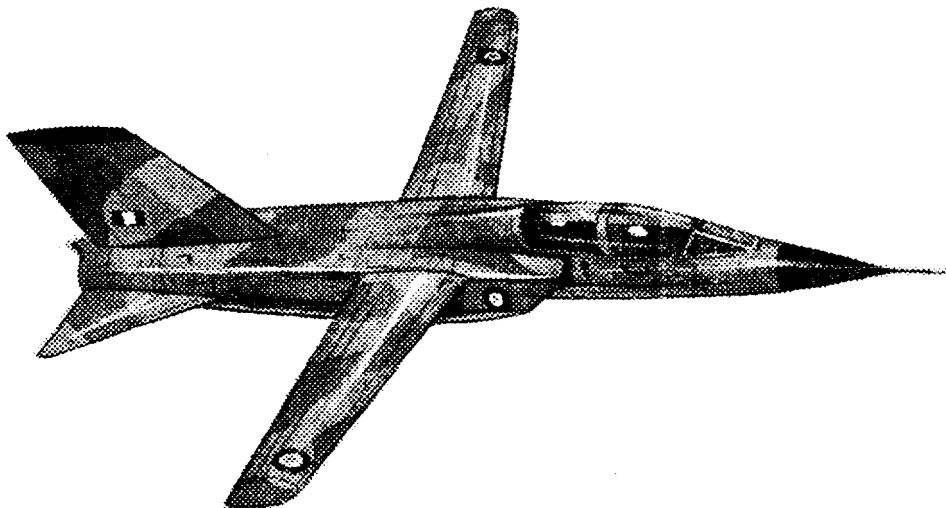
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Artist's Concept of the Multirole Combat Aircraft (MRCA)



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WEST GERMANY: The West German Government is expected to decide in the next few weeks whether to participate in production of the multirole combat aircraft (MRCA) being developed jointly with the UK and Italy.

Bonn was to have made this decision by 1 November, but postponed it until after the mid-November elections for political reasons. A German decision not to participate would cause serious problems in the British aircraft industry, which is building the engines. The first of nine prototype aircraft to be built is being assembled, and its first flight is scheduled for late 1973. If the testing goes according to schedule, the aircraft could be operational by 1977.

The project has been troubled since its inception in 1968 by mounting costs and difficulties in defining the role of the aircraft. The delivered cost per aircraft has risen from an initial estimate of \$3 million to a current West German estimate of \$12 million. The British want the aircraft to have primarily an interceptor role, but the Germans put greater priority on the close support of ground troops.

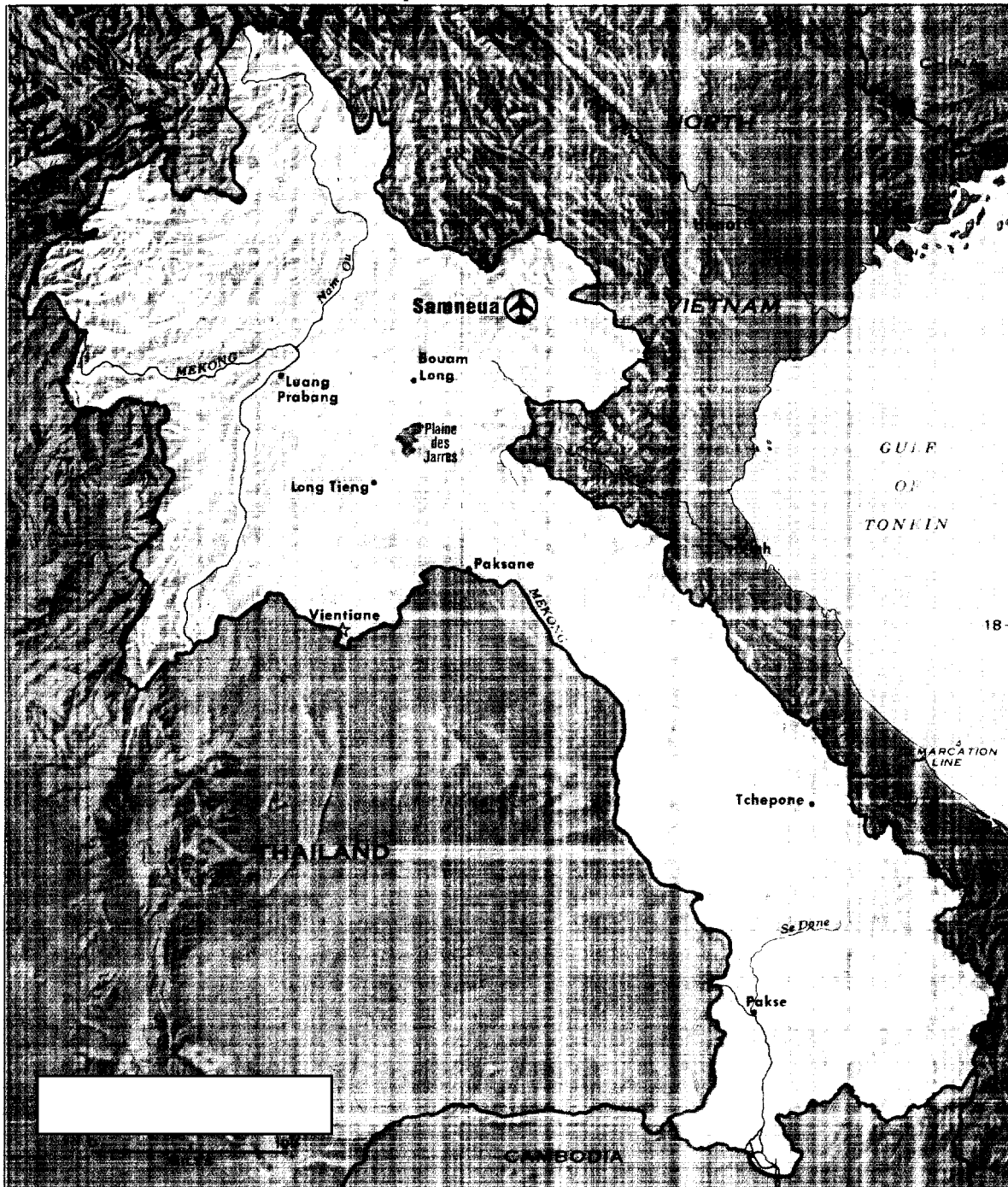
Because of these problems, Bonn has already reduced its original order of 600 aircraft to 322. The British order remains at about 400 and Italy's at 100. The program has survived this long primarily because of strong British pressure and a German desire to develop an advanced aircraft within Western Europe.

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Samneua Airfield Under Repair



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LAOS - NORTH VIETNAM: The old airfield at Samneua in extreme northeastern Laos near the North Vietnamese border is being repaired. Photography shows that the work is nearly complete on 3,000 of the runway's 3,400 feet. The runway could be finished by the end of the month. Samneua is an important Communist administrative center that would be well served by VIP air service, especially now that negotiations are under way in Vientiane.



* * * *

BELGIUM: In line with the recent EC resolution on a concerted anti-inflation drive, the Belgian Central Bank has raised its discount rate to five percent and its associated rate on advances against securities to six percent. These are the second increases since November. Inflation in Belgium is now increasing at an annual rate of seven percent, considerably higher than Belgian officials had forecast. The Belgian action will put pressure on the Netherlands to increase its bank rate from the present four percent.

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NATIONAL INTELLIGENCE ESTIMATES

The United States Intelligence Board on 21 December 1972 approved the following national intelligence estimates:

NIE 36.2-72 "Iraq's Role in Middle Eastern Problems"

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NIE 32.1-72 "Bangladesh"

25X1

22 Dec 72

Central Intelligence Bulletin

14

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